

REICHOLD CHEMICALS



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to our shareholders

Your company's sales for 1969 were \$21,202,000, an increase of \$5,094,000 (or 32%) over the previous year. Although this increase was in large measure the result of including 12 months' sales for The Canada Printing Ink Company in 1969, as against 5 months in 1968, both Reichhold Chemicals (Canada) Limited and the Ink Company posted sales gains. The combined sales increase for the two companies on an annual basis was 17%.

The reduction in earnings before taxes was due mainly to higher interest payments of \$56,000 and the incurring of costs written off at year end in connection with a special market development program of \$206,000.

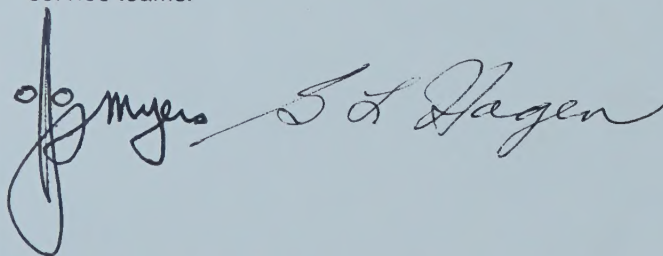
In order to increase our working capital during the year, a new \$4,000,000 8½% 20 Year Series A Sinking Fund Debenture was issued in place of the outstanding Sinking Fund Debentures.

Nearly a million dollars addition to plant and equipment was made during 1969. The major item was the new formaldehyde plant at North Bay. This is an important Raw Material which was formerly purchased.

Of significance also was an additional reactor at Port Moody for the production of adhesives used in the manufacture of plywood and particle board. Work was also started on an addition to expand the Port Moody production facilities for Alkyd and Polyester resins. These are used in the Paint and Fiberglass Reinforced Plastics Industries.

Additional investment was made to improve the Ink Company's production and Laboratory facilities.

Although a well balanced program of cost control has been in effect for a number of years, in face of the uncertainties of 1970 more intense cost reduction moves were made at the beginning of 1970. In spite of a general slowdown in business, our 1970 First Quarter sales are already higher than 1969. This is a healthy indication of our continued ability to penetrate new markets with new products and our excellent sales and technical service teams.

The image shows two handwritten signatures in black ink. The signature on the left is 'O. J. Myers' and the signature on the right is 'G. L. Hagen'. Both are written in a cursive, flowing style.

O. J. Myers
Chairman of the Board

G. L. Hagen
President



In the production of this synthetic marble, Reichhold resins were used which increased the bonding strength to four times the strength of quarried marble.

Les ventes de votre compagnie en 1969 ont été de \$21,202,000, soit une augmentation de \$5,094,000 (ou 32%) par rapport à l'année précédente. Bien que cette augmentation soit en grande partie le résultat de l'inclusion des ventes de The Canada Printing Ink Company pour les 12 mois de 1969, au lieu de 5 mois en 1968, cette dernière et Reichhold Chemicals (Canada) Limited ont toutes deux enregistré une augmentation des ventes. L'augmentation globale des ventes des deux compagnies fut de 17% sur une base annuelle.

La diminution des bénéfices avant les impôts fut attribuable surtout à des paiements d'intérêt plus élevés, soit \$56,000, et aux frais à la fin de l'exercice, du programme spécial de mise en marché qui se sont élevés à \$206,000 et qui ont été radiés à la fin de l'exercice.

En vue d'augmenter notre fonds de roulement durant l'année, de nouvelles obligations à 8½ % de série A à fonds d'amortissement de 20 ans ont été émises pour \$4,000,000 pour remplacer les obligations à fonds d'amortissement en circulation.

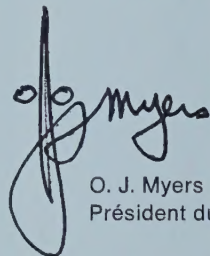
Une somme de presque 1 million de dollars a été dépensée pour les usines et l'équipement au cours de 1969. L'article principal fut la nouvelle usine de formaldéhyde à North Bay. Le formaldéhyde est une matière première importante qui devait auparavant être achetée.

Une autre dépense importante fut l'installation d'un réacteur additionnel à Port Moody pour la production d'adhésifs employés dans la fabrication de contre-plaqués et de panneaux d'aggloméré. Des travaux d'agrandissement ont aussi commencé aux aménagements de production à Port Moody pour les résines polyesters et alkydes. Celles-ci sont employées dans les industries des plastiques renforcés de fibre de verre et des peintures.

Un placement additionnel a été effectué pour améliorer la production et les aménagements de laboratoire de The Canada Printing Ink Company.

Bien qu'un programme bien équilibré de contrôle du coût ait été en vigueur depuis un certain nombre d'années, face aux incertitudes de 1970 des mesures plus rigoureuses encore ont été prises au début de 1970 pour réduire les frais.

En dépit d'un ralentissement général des affaires, nos ventes pour le premier trimestre 1970 sont déjà plus élevées qu'en 1969. Ceci est une indication favorable de notre capacité d'introduire de nouveaux produits sur des nouveaux marchés, et témoigne aussi de la compétence du personnel de nos services techniques et de ventes.



O. J. Myers
Président du Conseil



G. L. Hagen
Président

Our newest facilities in North Bay, Ontario will increase our overall formaldehyde production capacity to more than 90 million pounds per year. This plant utilizes the latest designs and techniques in the application of Reichhold's world wide Formox Process, and is the most modern formaldehyde and resin producing plant in Canada. It can adequately supply the formaldehyde needs of our resin plant which has the capacity to furnish the particle-board industry requirements for all of Ontario and neighbouring areas.

This new North Bay plant supported by the Central Research Laboratories at Weston, Ontario and the combined technology available from Port Moody, B.C. and Ste. Therese, Quebec will contribute to the continuing growth of the company.



our year at a glance

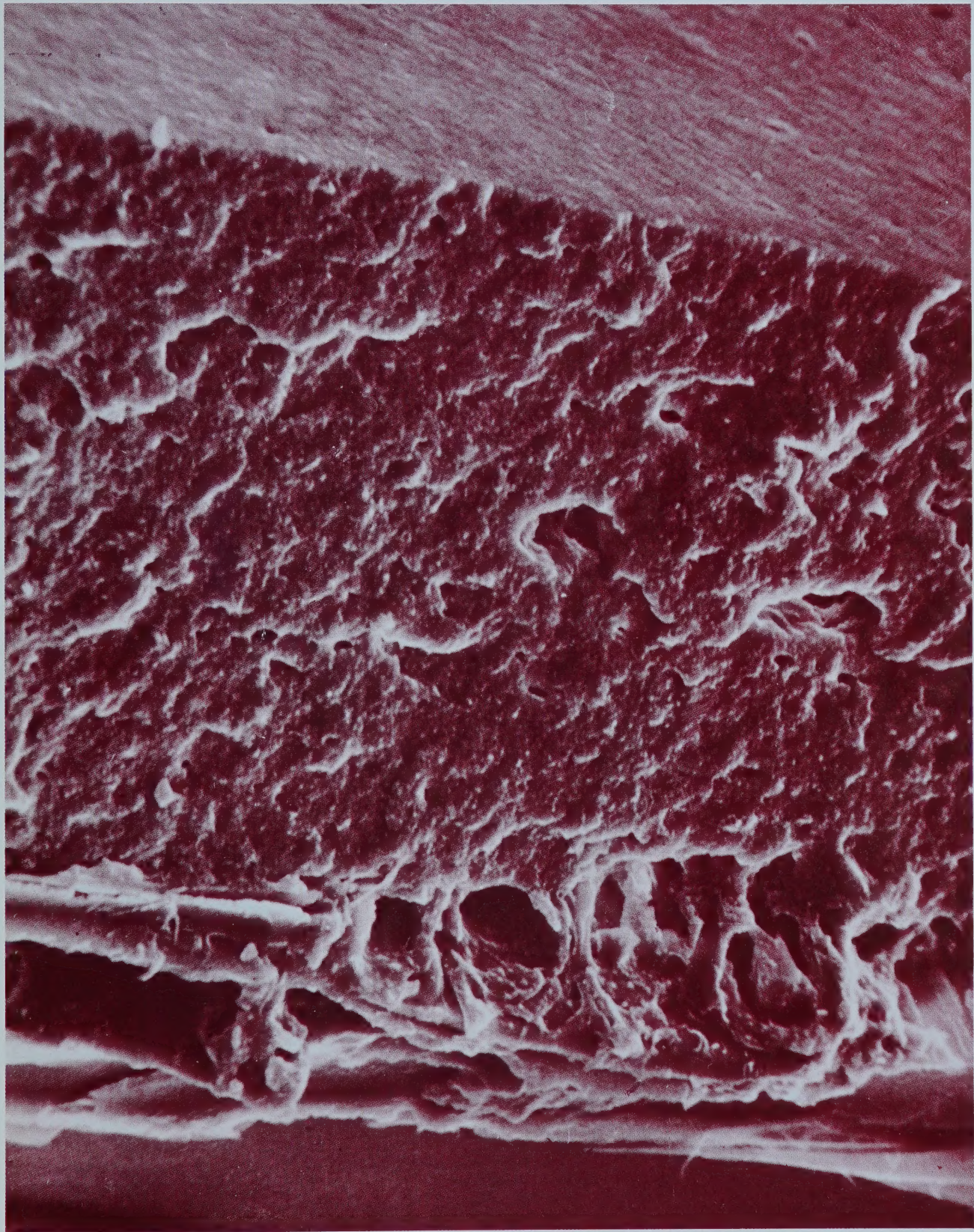
	1969	1968	
net sales	21,202,405	16,108,449	✓
net earnings ..	217,270	321,576	✓
earnings per common share ⁽¹⁾	45 cents	67 cents	✓
book value per common share ⁽¹⁾	9.31	8.85	

Note (1)

See note at foot of 10 Year Financial Review on page 17.



Reichhold Chemicals (Canada) Limited and Subsidiaries



RCC Research and Development Laboratories use the latest scientific techniques in their quest for new products. This picture illustrates the use of Scanning Electron Microscopy to study coating surface, coating cross section and coating-substrate interface (wood) in emulsion paints. Photograph — Dr. W. A. Cote, State College of Forestry, New York.

consolidated statement of earnings and retained earnings

Year ended December 31, 1969 with comparative figures for 1968

	1969*	1968*
Net sales	\$21,202,405	\$16,108,449
Cost of sales	16,453,904	12,511,302
Gross profit	4,748,501	3,597,147
Selling, general and administrative expenses	4,281,777	2,866,733
Net operating profit	466,724	730,414
Other expenses (income):		
Interest on long term debt	74,635	35,000
Other interest	134,650	118,666
Loss on disposal of fixed assets	3,074	12,061
Services rendered to associated company	—	(17,902)
Sundry — net	(64,902)	(48,425)
	147,457	99,400
Earnings before income taxes	319,267	631,014
Income taxes:		
Current (note 8)	123,997	463,738
Deferred	(22,000)	(154,300)
	101,997	309,438
Net earnings	217,270	321,576
Retained earnings at beginning of year	2,630,939	2,438,744
	2,848,209	2,760,320
Deduct dividends:		
On preference shares (note 4)	—	30,823
On common shares	115,494	98,558
	115,494	129,381
Retained earnings at end of year (note 2)	\$ 2,732,715	\$ 2,630,939
Included in the above statement are the undernoted expenses:		
Depreciation and amortization	\$ 632,341	\$ 602,651
Direct remuneration of directors and senior officers	\$ 140,600	\$ 125,700

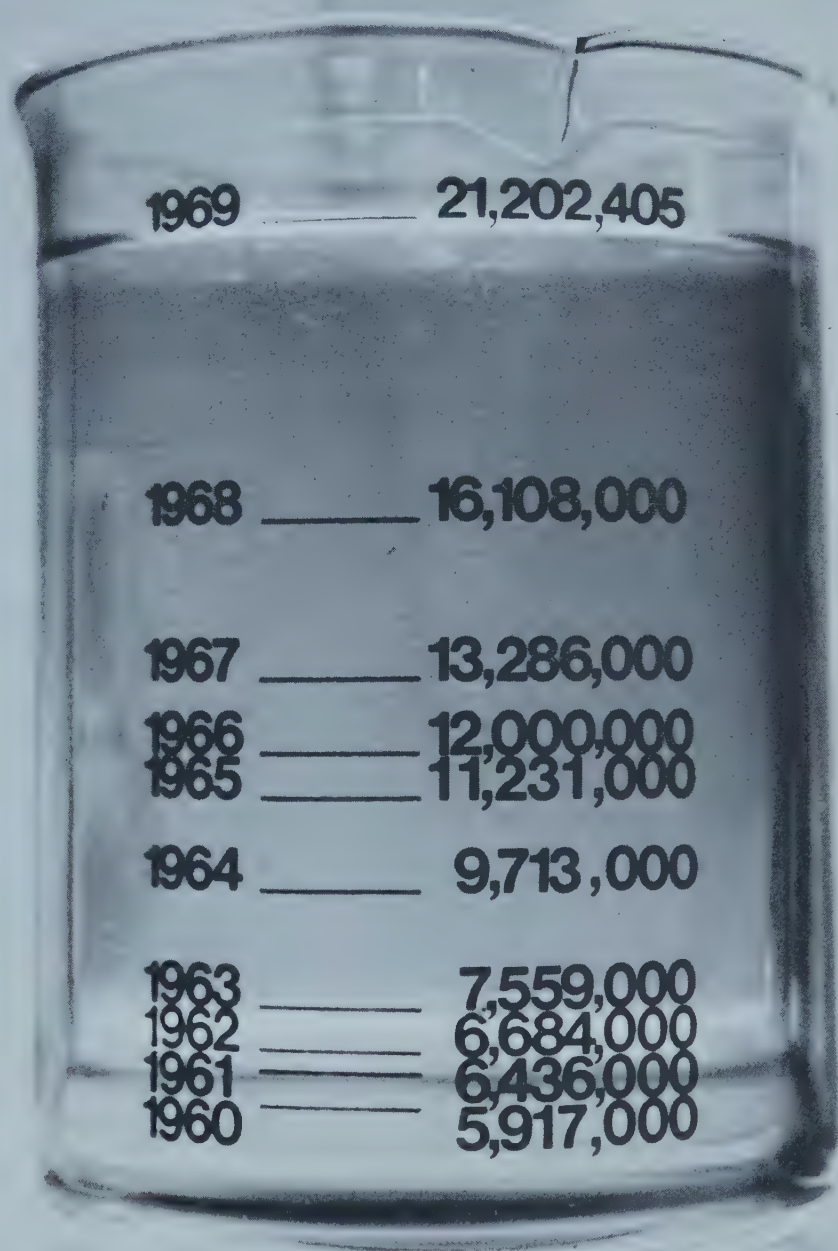
See accompanying notes to consolidated financial statements.

*The figures for the year 1969 include twelve months operations of the Canada Printing Ink Company Limited whereas the figures for the year 1968 include only five months operations of that company.



Reichhold Chemicals (Canada) Limited and Subsidiaries

10 years of sales growth



consolidated statement of contributed surplus

Year ended December 31, 1969 with comparative figures for 1968

	1969	1968
Contributed surplus at beginning of year	\$ 1,305,184	863,500
Add: Premium on issue of common shares	—	465,434
Area Development Incentives Act grant	120,000	—
	<u>1,425,184</u>	<u>1,328,934</u>
Deduct premium on redemption of preference shares (note 4)	—	23,750
	<u>\$ 1,425,184</u>	<u>1,305,184</u>

See accompanying notes to consolidated financial statements.





R.C.C. polymers used in modern aqueous floor polish formulations — give more gloss, clarity, durability and colour stability.

We have examined the consolidated balance sheet of Reichhold Chemicals (Canada) Limited and subsidiaries as of December 31, 1969 and the consolidated statements of earnings and retained earnings, contributed surplus, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT,
MARWICK,
MITCHELL & CO.,
Chartered Accountants.
Toronto, Ontario,
March 2, 1970.

consolidated balance sheet

assets December 31, 1969 with comparative figures for 1968

Current Assets:

	1969	1968
Cash	\$ 11,239	\$ 278,221
Deposit receipt	400,000	—
Marketable securities, at cost (quoted value \$16,250; 1968 — \$17,250)	25,000	25,000
Accounts receivable:		
Trade	3,477,658	3,039,869
Other	390,761	215,485
Government grants	233,553	—
	<hr/> 4,101,972	<hr/> 3,255,354
Less allowance for doubtful accounts	214,963	186,733
Net receivables	<hr/> 3,887,009	<hr/> 3,068,621
Inventories, at the lower of cost or market (net realizable value)	3,153,605	3,121,343
Income taxes recoverable	203,208	—
Prepaid expenses	198,345	146,345
Total current assets	<hr/> 7,878,406	<hr/> 6,639,530
Government grant due 1971	24,000	—
Fixed assets, at cost less accumulated depreciation:		
Buildings and equipment	8,736,914	7,796,982
Less accumulated depreciation	4,740,857	4,151,543
	<hr/> 3,996,057	<hr/> 3,645,439
Land	178,800	178,800
Net fixed assets	<hr/> \$ 4,174,857	<hr/> \$ 3,824,239
Other assets:		
Deferred development costs, at cost less amortization \$5,649	34,624	—
Unamortized debt discount and financing expense less amortization \$1,140	135,096	—
Goodwill, being the excess of cost over recorded equity of subsidiary at date of acquisition	164,781	164,781
Total other assets	<hr/> 334,501	<hr/> 164,781
	<hr/> <hr/> \$12,411,764	<hr/> <hr/> \$10,628,550

See accompanying notes to consolidated financial statements.



liabilities and shareholders' equity

Current Liabilities:

	1969	1968
Bank advances	\$ —	\$ 1,940,925
Accounts payable and accrued expenses	2,589,539	2,488,615
Due to associated company, Reichhold Chemicals Inc.	429,707	215,681
Income taxes payable	—	228,527
Principal amount of unsecured debentures due within one year	205,560	205,560
	<hr/>	<hr/>
Total current liabilities	3,224,806	5,079,308

Long term debt:

8½ % Sinking fund debentures, Series "A" (note 2)	4,000,000	—
5¾ % Secured sinking fund debentures (note 3)	—	350,000
Unsecured non-interest bearing debentures (less principal amount due within one year \$205,560)	—	205,560
	<hr/>	<hr/>
Total long term debt	4,000,000	555,560

Deferred income taxes	662,103	684,103
Minority shareholders' interest in subsidiary company	46,140	52,640

Shareholders' equity:

Capital stock (note 4):		
Common shares without nominal or par value		
Authorized 2,287,500 shares; issued 481,224 shares	320,816	320,816
Contributed surplus	1,425,184	1,305,184
Retained earnings (note 2)	2,732,715	2,630,939
	<hr/>	<hr/>

Total shareholders' equity	4,478,715	4,256,939
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Contingent liabilities and capital commitments (note 7)

	<hr/>	<hr/>
	\$12,411,764	\$10,628,550
	<hr/>	<hr/>

On behalf of the Board: O. J. Myers, Director; D. G. McNabb, Director.

consolidated statement of source and application of funds

Year ended December 31, 1969 with comparative figures for 1968

	1969	1968
Funds provided:		
Net earnings	\$ 217,270	321,576
Add charges not requiring cash expenditure:		
Depreciation	625,552	602,651
Amortization of debt discount and financing expense and deferred charges	6,789	—
Loss on disposals of fixed assets	3,074	12,061
Deferred income taxes	(22,000)	(154,300)
Funds provided from operations	830,685	781,988
8½ % Sinking Fund Debentures, Series "A"	4,000,000	—
Special refundable tax	—	28,752
Unsecured non-interest bearing debentures due 1970	—	205,560
Common shares issued	—	498,750
Area Development Incentives Act grant	96,000	—
Total funds provided	\$ 4,926,685	1,515,050
Used as follows:		
Additions to plant and equipment (net of proceeds on disposals)	979,244	391,629
Retirement of long-term debt	555,560	50,000
Redemption of preference shares (note 4)	—	498,750
Dividends	115,494	129,381
Acquisition of common shares of subsidiary net of working capital at date of acquisition	—	240,436
Debt discount and financing expenses	136,236	—
Deferred development costs	40,273	—
Reduction in minority shareholders' interest in subsidiary company ..	6,500	—
Total funds used	\$ 1,833,307	1,310,196
Increase in working capital	\$ 3,093,378	204,854
Working capital changes:		
Working capital at beginning of year	\$ 1,560,222	1,355,368
Working capital at end of year	4,653,600	1,560,222
	3,093,378	204,854

See accompanying notes to consolidated financial statements.



notes to consolidated financial statements

1 Basis of Consolidation

The consolidated financial statements include the accounts of the two subsidiaries, Varcum Chemical Corporation (Canada) Limited and The Canada Printing Ink Company Limited. All material inter-company items and transactions have been eliminated.

2 8½ % Sinking Fund Debentures, Series A, due November 1, 1989

These debentures are secured by a first floating charge on the undertaking and all the property and assets of the company now or hereafter acquired. The holders of the debentures have the right to elect that the company prepay the principal of such debentures on November 1, 1979. The company is required to establish a sinking fund sufficient to retire in each of the years 1975 to 1979 inclusive, \$220,000 principal amount of the debentures. Thereafter the company is to retire by mandatory sinking fund payments on November 1, in each year to and including November 1, 1988 an amount equal to one-ninth of the difference, if any, between the principal amount of the debentures outstanding on November 2, 1979 and \$800,000. Subject to certain conditions, the debentures will be redeemable at the option of the company, after November 1, 1974, at a premium of 6.25% in the first year reducing by annual steps to par in the year of maturity.

The trust deed securing the debentures, contains certain provisions restricting the payment of dividends. At December 31, 1969 \$38,000 of consolidated retained earnings was free of such restrictions.

3 5¾ % Secured Sinking Fund Debentures

During the year all of the 5¾ % secured sinking fund debentures due January 1, 1973 were redeemed at a premium of \$3,500.

4 Capital Stock

In 1968 all of the then 47,500 authorized and issued 5% redeemable cumulative preference shares of a par value of \$10 each were purchased for cancellation at the redemption price of \$10.50 per share.

Under the terms of issue of the 8½ % sinking fund debentures, Series A, 100,000 shares without par value are reserved for exercise of warrants issued to holders of the Series A debentures, exercisable on or before November 1, 1979 at \$12 per share.

5 Pension Plan

Under the pension plan of a subsidiary company, the unfunded liability for past service benefits was calculated as at December 31, 1968 as \$59,704. This amount is being satisfied by the payment of and charge to the accounts of the subsidiary in the amount of \$4,454 annually.

6 Leases

The companies lease certain properties for annual rentals aggregating \$38,092 under long term leases extending to various dates from 1977 to 1979.

7 Contingent Liabilities and Capital Commitments

The company is contingently liable to the extent of \$33,000 under its guarantee of a bank loan. Commitments in respect of the acquisition of additional fixed assets amount to approximately \$160,000.

8 Income Taxes

The current year's income tax provision has been reduced by \$45,500 being the excess of provisions of prior years over present requirements.

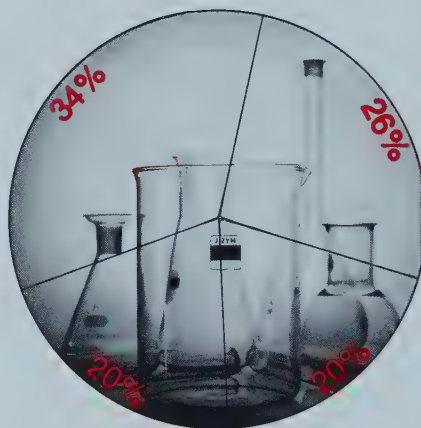
1969 dollar sales product mix

34%

Other
Decorative
Overlays,
Specialty,
Industrial
Resins,
Chemicals,
Oils,
Printing Inks,
and Supplies.

26%

Resins for
Paint,
Floorwax
Surface
Coatings.



20%

Plastics and
Molding
Compounds
for
Electrical
Appliances,
Transportation,
Recreation,
Industrial,
Decorative.

20%

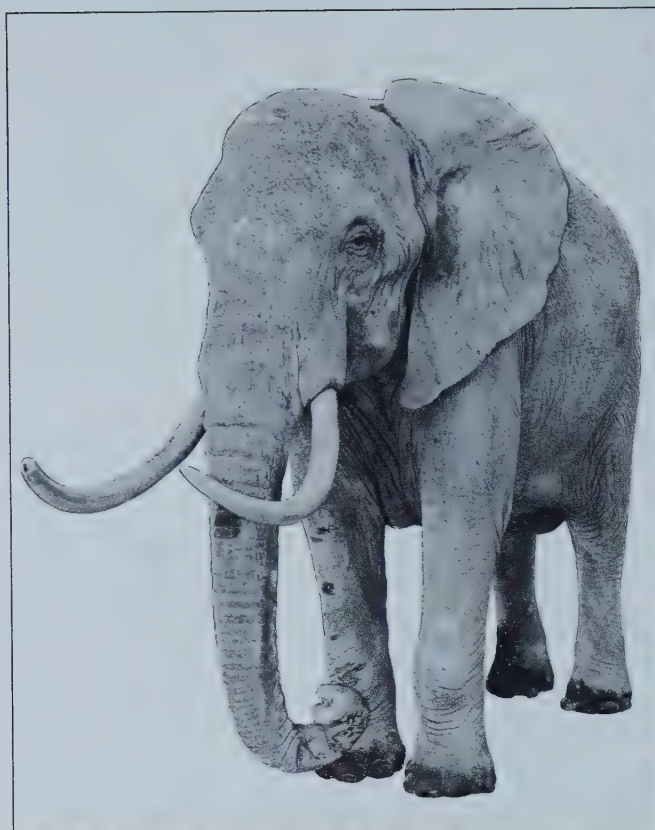
Resins for
Forest
Products
Plywood,
Particle
Board,
Paper.

10 year financial review

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Net sales (\$'000)	\$21,202	\$16,108	\$13,286	\$12,000	\$11,231	\$9,713	\$7,559	\$6,684	\$6,436	\$5,917
Profit (loss) before income taxes and special items	319	631	886	677	908	895	632	355	(120)	78
Special profit (loss) items	—	—	—	—	(25)	—	(65)	110	—	—
Net profit (loss) after income taxes	217	222	451	368	425	444	250	247	(80)	39
Expenditures on fixed assets	979	392	658	1,217	868	675	481	154	188	344
Provision for depreciation and amortization	632	603	586	479	418	329	285	231	229	209
Fixed assets at net book value	4,175	3,824	3,909	3,842	3,114	2,664	2,354	2,257	2,349	2,417
Net earnings per common share ⁽¹⁾	\$.45	\$.67	\$.99	\$.80	\$.93	\$.97	\$.52	\$.52	\$ (.21)	\$.00
Dividends paid per common share	\$.24	\$.21	\$.20	\$.192	\$.167	\$.15	\$.10	\$.05	\$.05	\$.10
Book value per common share ⁽¹⁾	\$ 9.31	\$ 8.85	\$ 8.25	\$ 7.48	\$ 6.87	\$ 6.18	\$ 5.36	\$ 4.93	\$ 4.46	\$ 4.73

Note (1)

Calculation of net earnings per common share is based on the weighted average number of shares outstanding during the respective periods. Book value per common share is based on the number of shares outstanding at the end of the respective periods. The number of common shares and per share calculations have been adjusted where applicable to reflect the stock split in December 1968 whereby two additional shares were issued for each share held prior to the split.



Top left

Reichhold fiberglass reinforced polyester resins were used in preparing this life-like elephant model.

Top right

This unique dramatically designed building used fiberglass panelling extensively, made from Reichhold products.

Bottom right

Reichhold PolyLite polyester resins were used in the construction of this sleek 30' sailboat.



tradenames

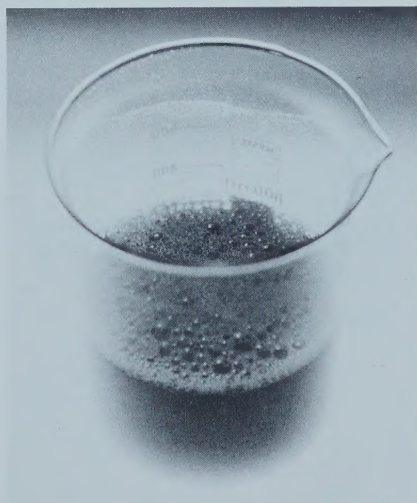
ALPHAPRENE
ALSYNITE
BECKACITE
BECKAMINE
BECKOLIN
BECKOPOL
BECKOSOL
BETAPRENE
CO-POL
coRCIment
CO-RELEES
DEECY
DELTAPRENE
DIARON
EPOTUF
FORAMINE
FORASITE
FORMOX
FOUNDREZ
GAMMAPRENE
HYDROGUM
JEL-O-MER
LUSTRASOL
MODIGLASS
PENTACITE
PEROXIDOL
PLYAMINE
PLYAMUL
PLYOCITE
PLYOPHEN
POLYLITE
POLY-AUTOPLATE
STAFLEX
STYRESOL
SUPER-BECKACITE
SUPER-BECKAMINE
SUPER-BECKOSOL
SYNTHE-COPAL
SYNTHMUL
VARCUM
WALLKYD
WALLPOL
WATEREZ
WETstrez

products

Acrylic Emulsions
Accelerators
Air Filtration Products
Hard Resins
Alkyd Resins
Alkyd Emulsions
Catalysts
Core Oils
Epoxy Resins and Hardeners
Esters
Formaldehyde
Glass Fiber Reinforcement
Hydrocarbon Resins
Melamine Resins
o-Benzyl-p-Chlorophenol
o-Phenylphenol
Organic Peroxides
Phenolic Resins
Polyester Resins
Plasticizers
Polystyrene Emulsions
Polyterpene Resins
Polyurethane Resins
Polyvinyl Acetate Emulsions
Resorcinol-Formaldehyde Resins
Thermosetting Molding Compounds
Urea Resins
Urea-Formaldehyde Adhesives
Urethane Foam Resins
Vinyl Stabilizers

applications

Abrasives
Adhesives
Agricultural Products
Appliances
Automotive
Boats
Building Panels
Chewing Gum
Closures
Electrical Devices
Fiberglass Molding
Filament Winding
Floor Polishes
Floor Tiles
Floor Waxes
Flotation
Foundries
Furniture
Highway Maintenance
Home Construction
Industrial Construction
Insulation
Leather
Packaging
Paint
Particle Board
Paper Manufacture
Plastic Moldings
Plywood
Polymer Production
Potting Compounds
Protective Coatings
Printing
Refrigeration
Rubber Products
Textiles
Utensils
Varnishes
Vinyl Products



plants and sales offices

Weston, Ontario (Head Office)
Ste. Therese de Blainville,
Quebec
Lindsay, Ontario
North Bay, Ontario
Kamloops, British Columbia
Port Moody, British Columbia

subsidiary

The Canada Printing Ink
Company Limited

Etobicoke, Ontario
Montreal, Quebec
Edmonton, Alberta
Moncton, New Brunswick
Ottawa, Ontario
Vancouver, British Columbia
Winnipeg, Manitoba

Registrar and Transfer Agent,
Common Stock:
National Trust Co. Ltd., Toronto,
Montreal, Vancouver

Auditors:
Peat, Marwick, Mitchell & Co.,
4 King St. W., Toronto

directors

Robert J. Adams
Vice-President, Eastern
Division, Reichhold Chemicals
(Canada) Limited

*Peter J. Fass
Vice-President, Purchasing,
Reichhold Chemicals
Incorporated

George L. Hagen
President, Reichhold Chemicals
(Canada) Limited

Donald G. McNabb
Executive Vice-President,
Reichhold Chemicals
(Canada) Limited

O. Jay Myers
Chairman of the Board and
Chief Executive Officer,
Reichhold
Chemicals (Canada) Limited;
Vice-President, Reichhold
Chemicals Incorporated

Henry H. Reichhold
Chairman of the Board and
Chief Executive Officer,
Reichhold Chemicals
Incorporated

Brian W. Shields
Member, Law Firm of Tory, Tory,
Deslauriers & Binnington

Ralph T. Urich
Senior Vice-President
Reichhold Chemicals
Incorporated

W. Arthur Weismann
Vice-President, Sales, National
Accounts, Reichhold Chemicals
Incorporated;
Vice-President, Sales Promotion,
Reichhold Chemicals (Canada)
Limited

*Appointed January 15, 1970

officers

O. J. Myers
Chairman of the Board and
Chief Executive Officer

G. L. Hagen
President

D. G. McNabb
Executive Vice-President

W. A. Weismann
Vice-President, Sales Promotion

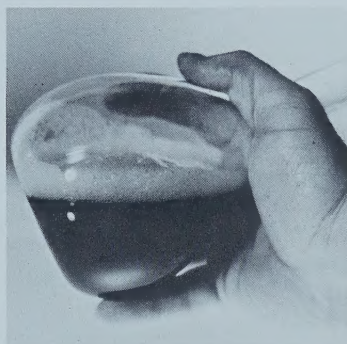
R. J. Adams
Vice-President, Eastern Division

L. Roy
Vice-President, Sales, Eastern
Division

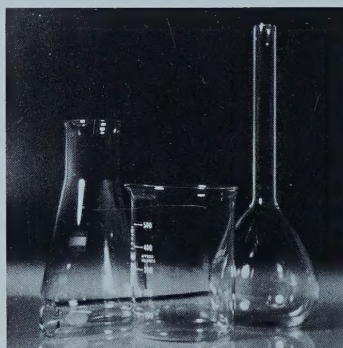
B. W. Shields
Secretary

B. Gallagher
Treasurer

Creative Chemistry



your partner in Progress



Reichhold Chemicals (Canada) Limited and Subsidiaries